

Message Text

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C O N F I D E N T I A L CALCUTTA 2445

E.O. 11652: GDS

TAGS: PGOV, IN

SUBJ: ALLEGED GOI DISCRIMINATION AGAINST US SHIPPING LINES

1. SAM LUDDY, AMERICAN EXPORT LINES (AEL) DIRECTOR GENERAL FOR SOUTH ASIA (INDIA, BANGLADESH, PAKISTAN, SRI LANKA) HAS IN RECENT MEETINGS WITH US FREQUENTLY EXPRESSED HIS GRAVE CONCERN THAT GOI DISCRIMINATION AGAINST AEL AND OTHER US LINES IS CAUSING THEM SEVERE PROBLEMS AND MIGHT EVENTUALLY DRIVE THEM OUT OF OPERATIONS IN THIS AREA. LUDDY SEES THE FOLLOWING TWO ESPECIALLY DISTURBING DEVELOPMENTS:

A) WHEN THE INDIAN LINES WERE MEMBERS OF THE WEST COAST OF INDIA-US CONFERENCE, THEY PROVIDED LITTLE SERVICE, AND THEREFORE HAD ONLY A SMALL PORTION OF THE TRAFFIC. SEVERAL MONTHS AGO, GOI ASKED THEM TO LEAVE THE CONFERENCE, ASSURING THEM THAT THEY WOULD GET CARGO IF THEY DID. ACCORDING TO LUDDY, AFTER INDIAN LINES RESIGNED FROM CONFERENCE, GOI TOLD ALL ASSOCIATIONS OF EXPORTERS IN AREA--E.G., SPICE EXPORTERS, CASHEW EXPORTERS--THAT THEY HAD TO SHIP ON INDIAN VESSELS. AS A RESULT INDIAN COMPANIES NOW HANDLE ABOUT 40

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PER CENT OF THIS TRADE.

B) ACCORDING TO PRESS, INDIAN INSTITUTE OF FOREIGN TRADE (IIFT) HAS BEEN ASKED BY GOI TO STUDY POSSIBILITY OF ESTABLISHING A CENTRAL BOOKING OFFICE, WHICH WOULD ASSIGN ALL FREIGHT BEING SHIPPED OUT OF INDIA. ALTHOUGH OSTENSIBLE PURPOSE IS TO RATIONALIZE SHIPPING PROCEDURES, LUDDY THINKS THAT IN FACT BOOKING OFFICE WOULD FIRST GIVE FREIGHT TO INDIAN LINES, AND ONLY ALLOW OTHERS TO CARRY WHAT WAS LEFT OVER. EXPORTERS ARE SAID TO BE UNHAPPY WITH PROPOSAL, BUT GOI IS DISREGARDING THEIR OBJECTIONS. SIMILAR SYSTEM HAS APPARENTLY BEEN ESTABLISHED IN SRI LANKA, BUT US LINES NOT HURT THERE BECAUSE THERE ARE NO SRI LANKAN LINES IN TRADE TO US.

2. LUDDY SAID THAT INDIAN LINES ALREADY HANDLE ABOUT 43 PERCENT OF THE EASTERN INDIA/BANGLADESH-USA TRADE. HE SUSPECTS THAT THEY ARE OFFERING REBATES IN ORDER TO OBTAIN THE FREIGHT. EVIDENCE OF THIS IS THAT VIRTUALLY ALL OF THE JUTE GOODS BEING SHIPPED OUT OF CALCUTTA ARE BEING CARRIED BY INDIAN VESSELS. SINCE IN THIS TRADE THE IMPORTERS NOMINATE THE LINES, LUDDY ASSUMES THAT THE FACT THEY ARE ALL NAMING INDIAN LINES INDICATES THEY ARE GETTING SOMETHING IN RETURN. AEL, HE SAID, DOES NOT GIVE REBATES. IN PLACE OF RELATIVELY STEADY AND LUCRATIVE JUTE TRADE, AEL HAS HAD TO PICK UP BITS AND PIECES OF CARGO WHEREVER IT COULD.

3. AT ONE TIME LUDDY WAS HOPEFUL THAT A POOL ARRANGEMENT COULD BE WORKED OUT TO DIVIDE UP THE CARGO ON A 40-40-20 PERCENT BASIS AMONG INDIANS, US, AND THIRD FLAG LINES RESPECTIVELY. BECAUSE OF THE OBJECTIONS OF US IMPORTERS, SUCH AN ARRANGEMENT HAS BEEN POSTPONED INDEFINITELY. WITH FLEETS OF GOI-OWNED SHIPPING CORPORATION OF INDIA AND PRIVATE SCINDIA LINE EXPANDING RAPIDLY, HE FEARS THERE WILL BE MORE AND MORE PRESSURE BY GOI TO SHIP ON INDIAN VESSELS.

4. COMMENT: BOTH LUDDY AND AEL SENIOR VICE PRESIDENT BALLIN, WHO WAS THROUGH CALCUTTA RECENTLY, ARE VERY BITTER ABOUT THESE MEASURES AND HAVE EXPRESSED, ALBEIT IN VERY POLITE AND MODERATE TERMS, THE FEELING THAT THE USG HAS DONE NOTHING TO SUPPORT THE AEL IN THE FACE OF MOUNTING INDIAN DISCRIMINATION. BALLIN SAID THE INDIAN GOVT MEASURES ARE CONFIDENTIAL

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LIKELY TO BRING ABOUT CLOSURE OF AEL'S OPERATIONS IN INDIA IN A PERIOD OF TWO OR THREE YEARS IF NOT LIFTED. BALLIN INDICATED HE HAD RAISED THE PROBLEM IN THE DEPARTMENT AT THE OFFICE LEVEL BUT MAY WANT NOW TO TAKE IT TO A HIGHER LEVEL. WHAT COULD OR SHOULD BE DONE TO HELP AEL IS OF COURSE MATTER FOR EMBASSY NEW DELHI'S AND DEPARTMENT'S JUDGEMENT, BUT IT LOOKS TO US AS THOUGH THERE IS A CLEAR-CUT CASE HERE OF DISCRIMINATION AGAINST AN AMERICAN FIRM.

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